



Australian Bureau of Statistics

1351.0.55.023 - Research Paper: Measuring Human Capital Flows for Australia: A Lifetime Labour Income Approach, Feb 2008

Latest ISSUE Released at 11:30 AM (CANBERRA TIME) 21/02/2008 First Issue

Summary

About this Release

This paper presents an experimental accumulation account for human capital for Australia. The proposed accounting system draws on the Jorgenson-Fraumeni human capital accounting system, with a few modifications. This study focuses on human capital formed through investment in post-school education and working experience. To separate the positive effect on lifetime labour incomes of ageing, this study makes use of wage differentials arising from age at the early stage of working life to estimate investment in working experience. To derive measures of net human capital formation, this study decomposes total depreciation into three elements: depreciation on education capital, depreciation on experience capital and ageing of base level capital. The contribution of the size of working age population to the growth of human capital stock is treated as other volume changes.

Using the full Census data from 1981 to 2001, this study estimates the changes in the number of persons in each sex/education/age cohort over the Census years. Combining these estimates of demographic changes with per capita measures of human capital flows paints a broad picture of the sources of the growth of human capital stock over this twenty years period. The most important empirical findings from this accounting exercise are: (1) education has become an increasingly important driver of the growth of human capital stock, and this is especially noticeable for women; (2) the impact of population ageing (depreciation) on the human capital stock has trended upwards strongly since the first half of the 1990s, and has significantly slowed down the growth of human capital stock.

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